



J U N E 2 0 0 3

**REPORT TO THE CONGRESS**

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**Variation and Innovation  
in Medicare**

**MEDPAC** Medicare  
Payment Advisory  
Commission

# MEDPAC

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Payment Advisory  
Commission

The Medicare Payment Advisory Commission (MedPAC) is an independent federal body established by the Balanced Budget Act of 1997 (P.L. 105-33) to advise the U.S. Congress on issues affecting the Medicare program. In addition to advising the Congress on payments to health plans participating in the Medicare+Choice program and providers in Medicare's traditional fee-for-service program, MedPAC is also tasked with analyzing access to care, quality of care, and other issues affecting Medicare.

The Commission's 17 members bring diverse expertise in the financing and delivery of health care services. Commissioners are appointed to three-year terms (subject to renewal) by the Comptroller General and serve part time. Appointments are staggered; the terms of five or six Commissioners expire each year. The Commission is supported by an executive director and a staff of analysts, who typically have backgrounds in economics, health policy, and public health.

MedPAC meets publicly to discuss policy issues and formulate its recommendations to the Congress. In the course of these meetings, Commissioners consider the results of staff research, presentations by policy experts, and comments from interested parties. (Meeting transcripts are available at [www.medpac.gov](http://www.medpac.gov).) Commission members and staff also seek input on Medicare issues through frequent meetings with individuals interested in the program, including staff from congressional committees and the Centers for Medicare & Medicaid Services (CMS), health care researchers, health care providers, and beneficiary advocates.

Two reports—issued in March and June each year—are the primary outlet for Commission recommendations. This report describes variations in Medicare and innovations in purchasing for the program. Annual reports each March focus on payment policy. In addition to annual reports and occasional reports on subjects requested by the Congress, MedPAC advises the Congress through other avenues, including comments on reports and proposed regulations issued by the Secretary of the Department of Health and Human Services, testimony, and briefings for congressional staff.

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Glenn M. Hackbarth, J.D., Chairman  
Robert D. Reischauer, Ph.D., Vice Chairman  
Mark E. Miller, Ph.D., Executive Director

June 12, 2003

The Honorable Richard B. Cheney  
President of the Senate  
U.S. Capitol  
Washington, DC 20510

Dear Mr. Vice President:

I am pleased to submit a copy of the Medicare Payment Advisory Commission's June 2003 Report to the Congress: Variation and Innovation in Medicare. This report fulfills MedPAC's legislative mandate to examine issues affecting the Medicare program, including the implications of changes in health care delivery for the Medicare program.

This report examines variation within expenditures, patterns of care, performance, and supplemental insurance, as well as several possible payment innovations.

- The first two chapters of this report look at variation in Medicare spending across the country and at the differing insurance markets for products that supplement Medicare.
- The next four chapters examine variation within major classes of providers, including hospitals, physicians, post-acute care providers, and dialysis facilities.
- The last three chapters investigate, and in some cases offer recommendations for, approaches Medicare could take to purchase more effectively. Ideas discussed include incentives to improve quality, competitive pricing, and alternative methods of paying for Medicare-covered drugs.
- The report includes two appendixes. One fulfills our statutory obligation to analyze the Secretary of HHS's estimate of the update for physician services. The other lays out a new feature of the June report—an agenda for improving data on Medicare and health care.

Sincerely,

A handwritten signature in dark ink, appearing to read "Glenn M. Hackbarth".

Glenn Hackbarth, J.D.  
Chairman

Enclosure



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Glenn M. Hackbarth, J.D., Chairman  
Robert D. Reischauer, Ph.D., Vice Chairman  
Mark E. Miller, Ph.D., Executive Director

June 12, 2003

The Honorable J. Dennis Hastert  
Speaker of the House of Representatives  
U.S. House of Representatives  
H232 Capitol Building  
Washington, DC 20515

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Glenn Hackbarth, J.D.  
Chairman

Enclosure

## Acknowledgments

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